

NEWSTEAD INSURANCE COMPANY

ORGANIZATIONAL

EXAMINATION

AS OF

JANUARY 10, 2005

State of Delaware



Department of Insurance

Dover, Delaware



I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached ORGANIZATIONAL REPORT ON EXAMINATION, made as of January 10, 2005 of the

NEWSTEAD INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: *Kenneth L. Miller*

DATE: 3RD JUNE, 2005



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 3RD DAY OF JUNE, 2005.

Matthew Denn

Insurance Commissioner

Deputy Insurance Commissioner

REPORT ON ORGANIZATIONAL EXAMINATION
OF THE
NEWSTEAD INSURANCE COMPANY

AS OF
JANUARY 10, 2005

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matthew Denn", is positioned above a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 3RD day of JUNE, 2005.

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SALUTATION

February 10, 2005

Honorable Matthew Denn
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioner:

Pursuant to instructions contained in Certificate of Authority Number 04.048, an organizational examination has been made as of January 10, 2005 into the condition and affairs of the

NEWSTEAD INSURANCE COMPANY

hereinafter referred to as “Company”, chartered under the laws of the State of Delaware as a stock property and casualty insurance company.

The examination was conducted at the administrative office of the Company, located at 5080 Spectrum Dr., Suite 900 East, Addison, TX 75001.

The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

This examination, covering the organization of the Company as of January 10, 2005, consisted of a general survey of the Company’s corporate records and actions necessary for organization and determination of assets and liabilities.

This examination was conducted in accordance with Section 322 of the Delaware Insurance Code, which states that the Commissioner or one of his examiners shall examine each issuer applying for an initial certificate of authority to transact insurance in Delaware.

The report format is designed to present comments and recommendations as are deemed necessary or appropriate in those areas in need of correction, or improvement resulting from examination of the Company's corporate records, financial condition and market activities.

In addition to items hereinafter incorporated as part of the written report, the following subjects were reviewed and made part of the workpapers of this examination:

Corporate Records

Accounts and Records

HISTORY

The Company's Certificate of Incorporation, dated May 21, 2004, was filed with the office of the Secretary of State of Delaware on May 22, 2004, by its incorporator, Michael S. Smiley.

The registered office of the Company is located at 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of the resident agent upon whom process may be served is The Corporation Trust Company.

CAPITALIZATION

In accordance with Article III of the Company's Certificate of Incorporation, the Company was authorized to issue 1,000 shares of common capital stock with a par value of \$500 per share.

On December 20, 2004, the Company's direct parent, Stonington Insurance Company (Stonington) purchased 1,000 shares of stock for \$750,000, giving the Company a total capitalization of \$500,000 capital and \$250,000 paid in surplus. On

January 10, 2005, Stonington made an additional contribution to the Company of \$500,000, bringing the total capitalization to \$500,000 in capital and \$750,000 in surplus.

HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System, and a Holding Company Registration statement is in the process of being filed with the State of Delaware.

The Company's direct parent is Stonington Insurance Company, a Texas domiciled insurer with its ultimate controlling parent being RenaissanceRe Holdings Ltd., a Bermuda Company (RenRe). RenRe was incorporated in 1993 and completed an initial public offering in 1995.

The following abbreviated chart illustrates the Company and its direct affiliates within the current Holding Company System as of January 10, 2005:

RenaissanceRe Holdings Ltd (Bermuda)
Glencoe Group Holdings Ltd. (Bermuda)
Glencoe Insurance Ltd. (Bermuda)
Glencoe U.S. Holdings, Inc. (DE)
Wyndham Partners Consulting, Limited (VA)
Glencoe Group Services Inc. (DE)
Paget Insurance Agency, LLC (FL)
Weather Predict Inc. (DE) 90% ownership Glencoe US Holdings / 10% Management
Skyland Ltd. (Bermuda)
Stonington Insurance Company (TX)
Stonington Lloyds Insurance Company (TX)
Lantana Insurance Ltd. (Bermuda)
Inverness Insurance Company (AZ)
Newstead Insurance Company (DE)

MANAGEMENT AND CONTROL

The Company's By-laws state that the business and affairs shall be managed by a Board of Directors consisting of not less than three (3) persons nor more than seven (7). The directors need not be stockholders of the Company.

The initial members of the Board of Directors, duly elected in accordance with Article IV of the Certificate of Incorporation dated May 21, 2004 were as follows:

<u>Name</u>	<u>Principle Business Affiliation</u>
William J. Ashley	Executive Vice President Stonington Insurance Company
David A. Heatherly	President Stonington Insurance Company
Michael S. Nuenke	Vice President Glencoe US Holdings
Richard B. Primerano	Chief Financial Officer Stonington Insurance Company
William I. Riker	Chief Executive Officer Stonington Insurance Company

Officers:

The By-laws provide that the officers of the Corporation shall consist of a President and a Secretary and such other officers as may be appointed in accordance with the provisions of Article V of the Company's Certificate of Incorporation.

The elected officers of the Company, serving as of January 10, 2005, were as follows:

<u>Name</u>	<u>Title</u>
David A. Heatherly	President
Richard B. Primerano	Chief Financial Officer, Vice President

Tracy H. Bowden

Secretary and General Counsel

Woldemar W. Schlaegel

Treasurer

Van Durboraw

Assistant Controller

Martha Maxwell

Assistant Treasurer

CORPORATE RECORDS

A review was made of the minutes of the Board of Directors, Certificate of Incorporation and all other pertinent corporate documents, including the appointment of the Delaware Insurance Commissioner as legal agent for the State of Delaware.

TERRITORY AND PLAN OF OPERATION

In accordance with the Company's Business Plan, the Company proposes to provide personal lines coverage in all fifty (50) states, primarily homeowners business. The Company also plans to entertain writing automobile and liability insurance in conjunction with the homeowners' coverage.

The Company will market its products through program managers and their network of producers. The Company will focus its efforts on markets seeking to target agents that will be able to offer both detailed underwriting and claims data to the Company.

AGREEMENTS

Cost Sharing and Shared Services Agreement

Upon receiving its certificate of authority, the Company intends to enter into a cost sharing and shared services agreement with an affiliate, Glencoe Group Services, Inc., a Delaware corporation, to provide such services as; accounting, actuarial,

marketing, legal, underwriting and other administrative functions. The agreement will not apply to claims expense, agent's commissions or fees charged specifically to the Company.

The Company will submit all inter-company agreements to the Delaware Insurance Department for approval.

Tax Sharing Agreement

Upon receiving its certificate of authority, the Company intends to enter into a tax sharing agreement with an indirect parent, Glencoe U. S. Holdings Inc., a Delaware corporation.

The Company will submit all inter-company agreements to the Delaware Insurance Department for approval.

REINSURANCE

Assumed

As of January 10, 2005, there was no reinsurance assumed agreements in effect.

Ceded

Upon receiving its certificate of authority, the Company intends to enter into a Quota Share reinsurance agreement whereby it will cede eighty percent (80%) of its liability to its parent; Stonington Insurance Company, a Texas insurer. Stonington will cede under a 50% quota share to Glencoe Insurance Ltd., also an affiliate of the Company. Glencoe Insurance Ltd. provides Excess of Loss Reinsurance protection to Stonington, which includes cessions from the Company. In addition, the Company may benefit from third party reinsurance of the Company or its affiliates.

NEWSTEAD INSURANCE COMPANY

The Company will submit all inter-company agreements to the Delaware Insurance Department for approval.

SECURITIES-ESCROW DEPOSIT

Under an Escrow Agreement dated December 23, 2004, a Certificate of Deposit in the amount of \$100,000 was held by Wilmington Trust Company, Wilmington, DE, as the Company's statutory deposit with the State of Delaware.

The asset was verified by direct confirmation.

CASH ON DEPOSIT

The Company held cash on deposit in the amount of \$1,150,000 with the Bank of America, 101 E. Park Blvd, Plano, Texas.

The asset was verified by direct confirmation.

FINANCIAL STATEMENT

The following financial condition of the Company as of January 10, 2005, as determined by the organizational examination, is shown as follows:

Analysis of Assets As of January 10, 2005

	Ledger	Assets Not	Net
	<u>Assets</u>	<u>Admitted</u>	<u>Admitted</u>
			<u>Assets</u>
Cash and short-term investments	\$1,250,000	\$0	\$1,250,000
Totals	<u>\$1,250,000</u>	<u>\$0</u>	<u>\$1,250,000</u>

Liabilities, Surplus and Other Funds

As of January 10, 2005

Common capital stock	\$500,000
Gross paid in and contributed surplus	\$750,000
Unassigned funds (surplus)	\$0
Surplus as regards policyholders	<u>\$1,250,000</u>
Total	<u>\$1,250,000</u>

SUMMARY OF GENERAL COMMENTS AND RECOMMENDATIONS

1. The Company is a member of an Insurance Holding Company System and a Holding Company Registration statement is in the process of being filed with the State of Delaware. The Company's direct parent is Stonington Insurance Company, a Texas insurer with its ultimate controlling parent being Renaissance Re Holdings Ltd, a Bermuda Company (RenRe).

2. The Company proposes to provide personal lines coverage in all fifty (50) states, primarily homeowners business. The Company also plans to entertain writing automobile and liability insurance in conjunction with homeowners coverage.

3. Upon receiving its certificate of authority, the Company intends to enter into a cost sharing and shared services agreement with an affiliate, Glencoe Group Services, Inc., a Delaware corporation, to provide such services as; accounting, actuarial, marketing, legal, underwriting and other administrative functions. The agreement will not apply to claims expense, agent's commissions or fees charged specifically to the Company.

NEWSTEAD INSURANCE COMPANY

4. Upon receiving its certificate of authority, the Company intends to enter into a tax sharing agreement with an indirect parent, Glencoe U. S. Holdings Inc., a Delaware corporation.

5. Upon receiving its certificate of authority, the Company intends to enter into a Quota Share reinsurance agreement whereby it will cede eighty percent (80%) of its liability to its parent; Stonington Insurance Company, a Texas insurer.

6. Under an Escrow Agreement dated December 23, 2004, a Certificate of Deposit in the amount of \$100,000 was held by Wilmington Trust Company, Wilmington, DE, as the Company's statutory deposit with the State of Delaware and was verified by direct confirmation.

7. Cash on deposit in the amount of \$1,150,000 with the Bank of America, 101 E. Park Blvd, Plano, Texas was verified by direct confirmation.

CAPITAL AND SURPLUS REQUIREMENTS

Section 511 of the Delaware Insurance Code requires the following minimum capital and surplus amounts for insurers requesting the authority to write multiple lines of insurance.

Capital Stock	\$500,000
Gross Paid-in and Contributed Surplus	\$750,000

CONCLUSION

Based on the organizational examination, the Company has complied with the capitalization requirements of the Delaware Insurance Code.

The cooperation and assistance rendered by the officers and employees of the Company during the course of the examination are hereby acknowledged.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Don Hollier", written in black ink.

Don Hollier, CFE
Examiner-In Charge
Department of Insurance
State of Delaware